MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 3, 2022/2023

DII5014 – INTRODUCTION TO INVESTMENT

(All sections/Groups)

4 OCTOBER 2023
9.00 a.m – 11.00 a.m
(2 Hours)

INSTRUCTIONS TO STUDENT

1. This question paper consists of 5 pages.
2. Attempt **ALL** questions. The distribution of the marks for each question is given.
3. Please write all your answers in the Answer Booklet provided.
4. The formulae are given in the appendices.

QUESTION 1

The beginning of Carolyn's career as an investor has only just recently begun. She recently learned that the prices of stocks are not permanently set and that they will experience volatility from time to time. Hence, she wants to make money of this price fluctuation by opening a margin account with a broker to secure a margin loan. She purchased 7,800 shares of Jana Baiduri Berhad at RM 3.50 per share, a 60% profit margin. Assume the required margin for the bank is 68%. Answer the following question based on Carolyn's scenario.

(a) Calculate the investment value for Carolyn's transaction. (2 marks)

(b) Calculate the debit balance for Carolyn's transaction. (2 marks)

(c) How much equity capital must Carolyn provide for this margin transaction? (2 marks)

(d) If Jana Baiduri Berhad share price rises to RM4.15, what will be the new margin position? (4 marks)

(e) Will there be a margin call in part (c.)? If yes, how much is the new debit balance in order to maintain the 68% margin? (4 marks)

(f) Calculate the total return on invested capital for Carolyn if she sells Jana Baiduri Berhad shares at the price of RM 4.00 with the assumption of 1.5% interest charged on the margin loan, and dividend received were RM250. (6 marks)

(Total : 20 marks)

Continued ...

QUESTION 2

(a) Assuming you purchased a share of stock for RM54 one year ago, sold it today for RM85, and during that duration you received three dividend payments totaling RM8.20, calculate the following:

i. Income. (1 mark)

ii. Capital gain (or loss). (2 marks)

iii. Total return in dollars. (2 marks)

iv. Total return as a percentage of the initial investment. (3 marks)

Investment Option	Trading Price	Dividend (Quarterly)	Total shares
1	RM35	RM1.25	100 units
2	RM25	RM4.00	100 units

Table 1

(b) Table 1 shows the trading price and dividend payout for the two investment options that Mr. Gopal is considering. Mr. Gopal anticipates selling the stocks after a period of one year, at which point the first stock will be selling at RM42 and the second stock will be selling at RM30. Calculate:

i. Holding Period Return on his investment for the first and second option. (10 marks)

ii. Which of the following stock options will provide Mr. Gopal with the better annualized holding period return? (2 marks)

(Total : 20 marks)

Continued ...

QUESTION 3

(a) Define portfolio. (2 marks)

(b) State **TWO (2)** types of portfolios. (2 marks)

Stock	Amount Invested (RM)	Return on Stock
A	50,000	15.00%
B	55,000	17.25%
C	58,000	16.50%
D	65,000	15.50%

Table 2

(c) The following is the stock portfolio of Raudhah. Table 2 outlines the amount invested and return on stock for stocks A, B, C, and D. Calculate:

i. Return on her portfolio. (8 marks)

ii. Average return. (2 marks)

iii. Portfolio standard deviation. (6 marks)

(Total : 20 marks)

Continued ...

QUESTION 4

Rahmah Sdn Bhd
Balance Sheet as at 31st December 2022

Cash	RM1,250		
Accounts Receivable	RM8,000	Current Liabilities	RM10,000
Inventory	RM12,000	Long Term Debt	RM8,000
Current Assets	RM21,250	Stockholder's Equity	RM12,000
Fixed and Other Assets	RM8,750	Total Liability and	
Total Assets	**RM30,000**	Stockholder's Equity	**RM30,000**

Rahmah Sdn Bhd
Income Statements Fiscal Year Ended 31st December 2022

Sales	RM50,000
Cost of Goods Sold	RM25,000
Operating Expenses	RM15,000
Operating Profit	RM10,000
Interest Expense	RM2,500
Taxes	RM2,500
Net Profit	RM5,000

Using the Rahmah Sdn Bhd company financial statements, calculate following ratios:

(a) Net Working Capital (2 marks)

(b) Please explain the meaning of net working capital in the context of a company's financial health using the value that you obtain in (a). (1 mark)

(c) Current ratios (2 marks)

(d) Accounts receivable turnover (2 marks)

(e) Inventory turnover (2 marks)

(f) Total asset turnover (2.5 marks)

(g) Debt-equity ratio (2 marks)

(h) Net profit margin (2 marks)

(i) Return on asset (2.5 marks)

(j) Return on equity (2 marks)

(Total : 20 marks)

Continued ...

QUESTION 5

(a) List **THREE (3)** advantages of investing in bonds. (3 marks)

(b) Explain any **FOUR (4)** bond essential features. (8 marks)

(c) A 10% coupon bond that pays interest annually has a par value of RM 1,200 and matures in 15 years. The market value of the bond today is RM1010. Calculate the yield to maturity for the bond. (5 marks)

(d) A bond has a par value of RM1,000, a current yield of 6.5 percent, and semi-annual interest payments. If the bond is selling at RM888, calculate the amount of each coupon payment. (4 marks)

(Total : 20 marks)

End of Paper